

DOUBLE TAXATION: SHIPPING PROFITS

Exchanges of notes at Washington January 27, February 24, May 16 and 30, and August 9, 1922

Entered into force August 9, 1922; operative from January 1, 1921

*Superseded by agreement of March 31, 1938*¹

1923 For. Rel. (II) 875

The Swedish Minister to the Secretary of State

WASHINGTON, January 27, 1922

EXCELLENCY:

In accordance with instructions received from my Government I have the honor to inform Your Excellency that the Swedish Government, after having acquainted itself with Paragraph 8, Section 213, of the new American Revenue Law for 1921,² mentioned in the note of the Department of State dated December 21, 1921, regarding exemption from taxation of ships of a foreign country granting equivalent exemption to citizens of the United States, has noted with great satisfaction the principle emphasized in said paragraph.

I am further authorized to state that my Government has immediately taken under consideration the adoption of such measures as will prove to the satisfaction of the United States' Government, that American ship owners reciprocally are exempted from taxation in Sweden.

The Government of Sweden interprets the American law in this instance as intended to express the principle that exemption from taxation on terms of reciprocity is desirable in order to promote the mutual interests of the United States and other countries. The above mentioned principle having been agreed upon, and provision for its application incorporated in the new American Revenue Law, the Government of Sweden begs to express the hope that such legislative measures may be taken as will have the effect of making the said provision effective, not only as from January 1, 1921, but will also cover the years 1917, 1918, 1919 and 1920. When framing statutes regarding the exemption from taxation of foreign shipowners in Sweden, the Swedish Government will be guided accordingly.

¹ EAS 121, *post*, p. 806

² 42 Stat. 239.

As a matter of fact, I understand that the shipowners of Sweden have generally understood that the exemption now in force in America would cover past as well as future taxes, and they have not prepared their tax returns for that reason. They have now been advised that the present law, strictly construed, may not apply before January 1st, 1921. Because of their prior understanding, they will not now be able to complete the preparation of their returns by February 14th, when their time expires. Under these circumstances, I am instructed by my Government to ask that, pending the advice of Your Excellency, a further extension of six months may be granted Swedish shipowners within which to file their returns.

With renewed assurances [etc.]

AX. WALLENBERG

The Swedish Minister to the Secretary of State

WASHINGTON, February 24, 1922

EXCELLENCY:

In my note of January 27th last, I had the honor to state, among other things, that my Government had, by reason of the provision in the Revenue Act of November 23, 1921, which provides for the exemption from taxation of the income of a non-resident alien or foreign corporation consisting of earnings derived from the operation of ships documented under the laws of a foreign country which grants an equivalent exemption to citizens of the United States, taken under consideration the adoption of measures which would grant equivalent exemptions from income taxation in Sweden to American ship owners.

I am now authorized and directed by my Government to advise and assure Your Excellency, and I hereby do advise and assure Your Excellency,

- 1) that income of non-resident foreign individuals, companies, and corporations, derived from the operation of ships documented under the laws of the United States, is not now taxed in Sweden, in any manner whatsoever;
- 2) that the same tax-exemption was effective even further back than January 1, 1917 and
- 3) that no change with regard to the existing tax exemption is contemplated by the Swedish authorities.

In this connection and in view of the fact that tax-exemption existed in Sweden even further back than January 1, 1917, I again beg to express, on behalf of my Government, the hope that some means may yet be found by Your Government to accord tax-exemption for income derived in this country from the operation of Swedish ships not only from January 1, 1920 [1921] on, but also for the years 1917, 1918, 1919 and 1920.

With renewed assurances [etc.]

AX. WALLENBERG

The Secretary of State to the Swedish Minister

WASHINGTON, May 16, 1922

SIR:

I have the honor to refer further to your note of February 24, 1922, in which you express the hope that it may be possible for this Government to exempt from taxation the income derived in this country from the operation of Swedish ships, not only from January 1, 1921, but also during the years 1917 to 1920 inclusive, and to state that in the statutes now in force no provision is made for the exemption from taxation by this Government of the income derived from the operation of foreign ships prior to January 1, 1921.

Accept [etc.]

For the Secretary of State:

WILLIAM PHILLIPS

The Swedish Minister to the Secretary of State

WASHINGTON, May 30, 1922

EXCELLENCY:

I have the honor to acknowledge the receipt of Your note of the 16th instant, by which you were good enough to inform me that in the statutes now in force no provision is made for the exemption from taxation by the United States Government of the income derived from the operation of foreign ships prior to January 1, 1921.

The Swedish Government, being aware of this circumstance, had, however, in view of the facts:

- 1) that income of non-resident, foreign individuals, companies and corporations, derived from the operation of ships documented under the laws of the United States, is not now taxed in Sweden in any manner whatsoever; and
- 2) that the same tax exemption was effective even further back than January 1, 1917,

cherished the hope that the United States Government would deem it proper to enact such legislative measures as would extend the same exemption from taxation from the United States Government for the years prior to January 1, 1921.

Under such circumstances I beg leave to again apply for Your Excellency's kind intermediary, in order that the question may be submitted to Congress for such legislation as would secure a satisfactory arrangement between our two countries.

With renewed assurances [etc.]

Ax. WALLENBERG

The Secretary of State to the Swedish Chargé d'Affaires ad interim

WASHINGTON, August 9, 1922

SIR:

I have the honor to refer further to your note of May 30, 1922, in which you express the hope that it may be possible to modify the statutes now in force in this country, so as to provide for the exemption of Swedish ship-owners from the payment of income taxes for the years 1917 to 1920, inclusive, and to state that the appropriate authorities advise the Department that they can not see their way clear to recommend to Congress any modification of the statutes as you suggest.

Accept [etc.]

CHARLES E. HUGHES